

Message Text

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PAGE 01 MANILA 15942 131010Z

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TO SECSTATE WASHDC 9397

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E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: PHILIPPINE-US TAX TALKS

REF: STATE 259671

1. RP PANEL MEMBER TOLDEO HAS INFORMED EMBASSY OFFICER THAT NEW DEVELOPMENTS HAVE MADE DECEMBER MEETING DOUBTFUL. THE RESIGNATION FROM THE GOVERNMENT OF RP PANEL VICE CHAIRMAN AMBROSIO LINA HAS BEEN ACCEPTED (APPARENTLY PURELY A RETIREMENT AND UNRELATED TO THE RECENT PURGE), AND HE WILL THEREFORE NOT BE ATTENDING THE ECOSOC MEETING OF EXPERTS IN NEW YORK. TOLEDO'S OWN ATTENDANCE IS ALSO IN QUESTION. THIS WOULD THEREFORE MAKE WASHINGTON MEETING A SPECIAL TRIP, AND TOLEDO REPORTED THAT RP CHAIRMAN PIO DE RODA QUESTIONED WHETHER THIS WOULD BE JUSTIFIED UNLESS DECEMBER TALKS LIKELY SHOW REAL PROGRESS.

2. SECRETARY OF FINANCE VIRATA STRONGLY EXPRESSED SIMILAR RESERVATIONS TO ECON/COMMERCIAL COUNSELOR AT NOV 12 RECEPTION. VIRATA ASKED ABOUT PROSPECTS FOR MOVEMENT ON THE SHIPPING AND AIRLINES ISSUE. ECON/COMMERCIAL COUNSELOR STATED THAT US POSITION NOT LIKELY TO CHANGE, AND THAT ONE ALTERNATIVE WAS TO LEAVE THE ARTICLE OUT ENTIRELY. VIRATA NOTED THAT THIS WAS THE UK FORMULA, AND THAT THE RP QUOTE COULD LIVE WITH IT UNQUOTE. ECON/COMMERCIAL COUNSELOR OBSERVED THAT NON-DISCRIMINATION WAS OTHER KEY OUTSTANDING ISSUE,
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PAGE 02 MANILA 15942 131010Z

AND VIRATA RESPONDED CRYPTICALLY THAT THE TAX TREATY

WAS QUOTE ONE WAY OF GETTING AT THIS AND PERHAPS OTHER INVESTMENT PROBLEMS UNQUOTE. HE HAD IN MIND THE MORE GENERAL RP-US ECONOMIC TALKS, WHICH OF COURSE WILL ALSO HAVE TO DEAL WITH NON-DISCRIMINATION ISSUE.

3. ACCORDING TO TOLEDO, PIO DE RODA IS CONCERNED ABOUT THE LACK OF SPECIFIC PREPARATION FOR PROGRESS ON SHIPPING AND NON-DISCRIMINATION, AS WELL AS ON THE ISSUE OF TREATMENT OF BRANCH PROFITS. IN VIEW OF THESE CONSIDERATIONS, GOP THINKING IS THAT IT MIGHT BE REASONABLE TO POSTPONE THE TALKS, AND TO AIM FOR ANOTHER ROUND IN EARLY SPRING OF 1976, UNLESS ADVANCE READING OF U.S. VIEW IS THAT SUBSTANTIAL PROGRESS CAN BE MADE ON ONE OR MORE OF THE KEY ISSUES.

4. THERE IS STILL POSSIBILITY THAT TOLEDO WILL ATTEND THE NEW YORK MEETING, AND HE WOULD BE WILLING IN THAT EVENT TO VISIT WASHINGTON FOR INFORMAL TALKS WITH U.S. PANEL MEMBERS.

5. COMMENT AND RECOMMENDATION. WITH LINA OUT OF THE PICTURE, RP PANEL WILL NOT WANT TO DO ANY FORMAL NEGOTIATING WITHOUT PIO DE RODA. AS A PRACTICAL MATTER, PIO DE RODA IS EXTREMELY BUSY WITH HIS NEW CUSTOMS PORTFOLIO AND OTHER RESPONSIBILITIES AND WILL NOT WISH TO MAKE A WASHINGTON TRIP AT THIS TIME JUST TO KEEP TALKS GOING. MORE IMPORTANTLY, RESERVATIONS VOICED BY VIRATA ARE IMPORTANT, AND IT WOULD NOT REPEAT NOT BE HELPFUL IN THE PRESENT STAGE OF OUR ECONOMIC RELATIONS TO HOLD TALKS WHERE THERE IS SLIM PROSPECT OF REAL PROGRESS. FOR THIS REASON, EMBASSY RECOMMENDS THAT FORMAL TALKS BE POSTPONED UNLESS WASHINGTON SEES REAL HOPE OF SUCCESSFUL GRAPPLING WITH ISSUES.

6. WASHINGTON COMMENT AND GUIDANCE REQUESTED SOONEST.
SULLIVAN

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